

No. 14626

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

JESSE E. HALL, WEATHERFORD OIL TOOL COMPANY,
INC., a corporation, *et al.*,

Appellants-Appellees,

vs.

KENNETH A. WRIGHT and B & W INC., a corporation,

Appellees-Appellants.

B & W Inc.'s Petition for Rehearing.

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FILED

FEB 15 1957

PAUL P. O'BRIEN, CLERK

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B & W Inc.'s Petition for Rehearing.

Now comes B & W Inc. and petitions the Court for a rehearing in this cause. In the opinion affirming the judgment of the lower court it was concluded that all of the patents involved were invalid. Included among the patents held invalid were Wright apparatus patent No. 2,374,317 and Wright method patent No. 2,338,372. The stated basis for this decision was simply that the question of invention is a question of fact and that the Trial Court's findings were not clearly erroneous. Also included among the patents held invalid was Hall Patent No. 2,671,515. This decision was predicated upon the evidence establishing that the prior Jones and Berdine device, which was tested a year and a half before the filing date of the first Hall application, and known to

Hall and his attorney Scofield, was structurally and functionally the same. The Court, however, made no reference to the admonition of the Supreme Court in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806.

The grounds for this petition are:

1. That Finding of Fact XXXIII that Patent No. 2,338,372 is invalid and void is clearly erroneous.

2. That Finding of Fact XXXIV that Patent No. 2,374,317 is invalid and void is clearly erroneous.

3. That this Court has failed to enforce the admonition of the Supreme Court in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806, and thereby condoned the fraud perpetrated upon the Patent Office by Hall and his attorney Scofield in procuring the issuance of Hall Patent No. 2,671,515.

4. That this Court erred in finding B & W Inc. guilty of unclean hands.

I.

Finding of Fact XXXIII Is Clearly Erroneous and Without Any Support in the Record.

The Trial Court requested the attorney for Hall to identify the best prior art available against the Wright method patent No. 2,338,372. The response received was:

“Your Honor, I do not believe that there is any very good art.” (Vol. VII, p. 3283.)

Thus, it is admitted that none of the art of record taught the invention described and claimed in this Wright patent.

It was also stipulated that a real problem in oil well completion existed prior to Wright's invention. (Vol. VI, p. 2728.)

This Court in sustaining the decision of the Trial Court stated:

"The record is far from conclusive in favor of the finding of fact that Wright Patent No. 2,338,372 lacks invention. We are of the view, however, that such finding is sufficiently supported in the evidence so that we must hold it to be not clearly erroneous."

The Court in its decision does not identify what evidence supports such a finding. Certainly, from the above-quoted concessions by Hall's attorney, there is no support for such a finding.

The conclusion of the Court ignores the presumption of validity of a patent. The record is insufficient to overcome the presumption, see: *Ry-Lock Company, Ltd. v. Sears, Roebuck & Co.* (9 Cir. 1955), 227 F. 2d 615, wherein this Court reversed a Trial Court's judgment based upon findings which were clearer and more complete than the findings in this case, stating at page 618:

"This invention, made up by combination of elements, in a manner which was sufficiently new and novel to measure up to the accepted standards of invention, was not, in the language of *Himes v. Chadwick*, 9 Cir., 199 F. 2d 100, 'a mere aggregation of a number of old parts.' Hence, a finding which, as here, picks out one element in one prior patent and another element in another prior patent as a demonstration of anticipation, is manifestly insufficient to overcome the presumption arising from the issuance of the patent, a presumption reemphasized by the existing Act. 35 U. S. C. A. Sec. 282.

“We hold therefore that the findings of lack of invention and of anticipation are clearly erroneous. Sears wholly failed to present a case to justify the findings made. The record compels a finding that the patent was valid.”

See also *Alden Hansen v. Safeway Stores, Incorporated* (9 Cir., 1956), 238 F. 2d 336; *Patterson-Ballagh Corp. et al. v. Moss et al.* (9 Cir., 1953), 201 F. 2d 403.

All of the prior art patents relied upon by this Court, including *Bashara, Steps et al.*, *Braden and Hall*, were before the Patent Office. The patent was carefully scrutinized and it was finally allowed by the Patent Office Board of Appeals. Under such circumstances, the presumption of validity is greatly strengthened. (*Modern Products Supply Co. v. Drachenberg* (6 Cir., 1945), 152 F. 2d 203; *Trane Co. v. Nash Engineering Co.* (1 Cir., 1928), 25 F. 2d 267; *Celanese Corporation of America v. Essley Shirt Co., Inc.* (2 Cir., 1938), 98 F. 2d 895.) The Court stated at page 896:

“The application for the patent in suit was filed December 15, 1925 and followed an application for a British patent filed on January 23d of the same year. The patent was granted on April 18, 1933, after considerable controversy in the Patent Office and after review by the Board of Appeals. The usual presumption of validity is therefore entitled to great weight though, of course, it may be overcome by clear proof. See *J. A. Mohr & Son v. Alliance Securities Co.*, 9 Cir., 14 F. 2d 799.”

This Court has stated that there is no clear proof that the patent is invalid and consequently the decision of this Court is contrary to prior decisions of this as well as other Circuit Courts.

The decision of this Court is also in direct conflict with still another decision of this same Court. Thus, in *Jules D. Gratiot and Air-Maze Corporation v. Farr Company*, No. 13,352 decided October 19, 1956, the Farr patent in suit had been held valid and infringed in the Trial Court. Finding of Fact 13 reads as follows:

“13. The device of the French Patent No. 739,956 to Niestle, Defendants’ Exhibit B, Tab 15, is a filter made of expanded sheets set at right angles to the intended flow of air rather than parallel as in the Farr patent in suit. When made of metal gauze and oiled the expanded sheets would present a solid wall. The French patent to Niestle does not operate by the same mode of operation or achieve the advantages of the Farr patent in suit.”

With respect to this finding, the Court stated: “We do not agree with this finding.” As a result, the Court reversed the judgment of the Trial Court.

In this case, the Court applies an entirely different test and entirely different standard. Here the Court says it does not agree with the Trial Court’s finding that the Wright Patent No. 2,338,372 was invalid but that there was some evidence (unidentified) to support same; hence, it was not clearly erroneous.

Is this Court adopting a double standard for the application of Rule 52(a) F. R. C. P.—one to be used when it desires to affirm, another when it desires to reverse? The patent bar is faced with a hopeless problem of prognosticating the treatment a judgment will receive in this Court under this dual application of Rule 52(a). It is believed this Court should clarify and standardize its application of Rule 52(a). If the stan-

dard of *Gratiot et al. v. Farr Company* (*supra*) is applicable, then clearly the present decision is erroneous.

Even if the Court adheres to the much stricter and rigid rule of the instant decision, it is submitted that the Finding of Fact XXXIII is clearly erroneous in view of the state of the record. This Court, Hall's attorney and the Trial Court have not identified what prior art assertedly invalidates the patent. Nowhere can the party Wright find any statement of why the patent is invalid, except the broad generalization that it is "invalid in view of the prior art". What art? No one has yet stated what patents contain a teaching of the invention. If it is the basis of the Court's decision that the individual elements were present in the prior art and hence the patent is invalid, such a decision is in direct conflict with the decision of this same Court in *Ry-Lock Company, Ltd. v. Sears, Roebuck & Co.* (*supra*).

Hence, it is apparent that the present decision in effect overrules all of the prior decisions of this Court with respect to the effect of the presumption of validity of a patent and the nature of the evidence necessary to overcome same.

The decision of this Court in effect overrules the application of Rule 52(a) F. R. C. P. as applied in *Jules D. Gratiot et al. v. Farr Company* (*supra*), and establishes a new test for applying this rule. If it was the purpose of this Court to overrule its prior decisions, it is believed the bar should be so advised. If it is not the purpose of this Court to overrule itself, then the holding of invalidity of Wright Patent No. 2,338,372 is obviously in error and the judgment in this respect should be reversed.

II.

Finding of Fact XXXIV Is Clearly Erroneous.

Wright apparatus patent No. 2,374,317 was likewise held invalid "over the state of the prior art." Here again, the patent application was carefully scrutinized and allowed by the Patent Office Board of Appeals, considering the Black and Stroebel, as well as most of the other patents.

Here again, this Court stated "on the question of whether this patent was anticipated, the record is anything but clear." Is this the clear proof required by *Ry-Lock-Company, Ltd. v. Sears, Roebuck & Co. (supra)*, or is this Court overruling that decision?

It is believed that Finding of Fact XXXIV is clearly erroneous for the same reasons as Findings of Fact XXXIII, which reasons are fully set forth in the preceding section of this petition.

This Court concluded that Patent No. 2,374,317 specified a nonrotatable device with radial arms. Such finding is clearly contrary to all the evidence. The patent states that the scratcher is secured to the pipe, and this it is. A sleeve 14 surrounds casing 11, obviously free to move vertically thereon and rotate thereon between stops on the casing. The Jones and Berdine tests establish the device was rotatable as did all the other evidence before the Court. It is specifically stated in the patent that the length of the fingers is greater than the space between casing 11 and bore 10. Consequently, when the scratcher is lowered in the well, the fingers bend tangentially because of the arcuate shank portion 21 and its mounting on sleeve 14. Thus the record clearly establishes, and the patent clearly describes, a scratcher rotatably mounted upon the casing,

having tangentially disposed fingers when lowered into a well. The fingers thus have a tangential disposition when operating. What their position is when not operating is of no consequence.

It is submitted therefore that Patent No. 2,374,317 is valid and that Hall has failed to carry the burden of establishing the contrary in view of the decisions of this Court cited in the prior section of this petition.

III.

The Court Failed to Apply the Doctrine of the Supreme Court in Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.

In *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806, at page 818, the Supreme Court stated:

“1. It chose to keep secret its belief and allegedly unsubstantial proof of the facts concerning Larson’s perjury. We need not speculate as to whether there was sufficient proof to present the matter to the District Attorney. But it is clear that Automotive knew and suppressed facts that, at the very least, should have been brought in some way to the attention of the Patent Office, especially when it became evident that the interference proceedings would continue no longer. Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitable-ness underlying the applications in issue. *Cf. Crites, Inc. v. Prudential Ins. Co.*, 322 U. S. 408, 415, 88 L. ed. 1356, 1361, 64 S. Ct. 1075. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to

independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' *Hazel-Atlas Glass Co. v. Hartford-Empire Co. supra* (322 U. S. 246, 88 L. ed. 1255, 64 S. Ct. 997)."

It is the duty of this Court as of all other Courts to protect the public interest and to safeguard the Patent Office against issuing fraudulently obtained patents. In the present litigation, it was argued before the Board of Appeals that the Jones and Berdine test scratcher did not involve a rotatable structure. This Court stated at page 5 of its opinion:

"It is apparent that, in sanctioning issuance of Hall patent No. 515, the Board of Patent Appeals was of the view that it had not been established that the Jones and Berdine device was rotatably mounted. An engineer who conducted the test, however, testified at the trial in this action that the device there used was rotatably mounted. The trial court apparently accepted this testimony as true. We have no basis for holding otherwise. * * *"

recognizing that the Jones and Berdine device was, in fact, rotatable contrary to the representation of Hall and his attorney Scofield to the Patent Office. Hall and his attorney Scofield, who misrepresented the facts to the Patent Office, knew that the Jones and Berdine test structure was rotatable, and the representation that was made to the Board of Appeals of the Patent Office was false. In

a letter dated June 2, 1954 from John A. Hall to Thomas E. Scofield, Plaintiff's Exhibits 194, 195 and 196, the rotatability of the B & W scratcher tested by Jones and Berdine is called to the attention of the attorney Scofield. It was only after this misrepresentation that the Patent Office issued the Hall patent.

In the reply brief for Kenneth A. Wright and B & W Inc., the fraudulent concealment by Hall, which induced the granting of Patent No. 2,671,515, is fully set forth in the section beginning upon page 25.

As also fully discussed in the reply brief beginning at page 17, is the false supplemental oath filed in application Serial No. 627,013, in which oath Hall swore that the inside stud mounting, as defined by claims 3, 4, 5 and 9, had not been in public use or on sale more than a year prior to the filing of his application, Exhibit K. This is contrary to Exhibit A supplied by Hall which illustrates the Acme scratcher sold July 7, 1941, four years prior to the oath.

Also on page 19 of the Reply Brief of Kenneth A. Wright and B & W Inc. full details concerning the fraudulent petition to make special application Serial No. 55,619 were set forth. Hall and his attorney Scofield, in order to induce the Patent Office to take special action upon application Serial No. 55,619, knowingly filed false affidavits accompanying a "Petition to Make Special". There was no scratcher discovered on or about August 15, 1948 by Jesse Hall, as stated in his affidavit in support of the peti-

tion to make special. There was no infringing device on the market with which attorney Thomas E. Scofield made a rigid comparison with the claims of the application, as set forth in his affidavit accompanying the petition to make special. The two devices which were on the market at the time of this petition were the wall cleaning guide of B & W Inc., which had been sold since 1939 and was well-known to both Hall and his attorney Scofield, and the multiflex scratcher, which admittedly was not the scratcher purportedly covered in the petition to make special, Exhibit EEE, Vol. IX, pp, 3787, 89. Thus, in three separate instances Hall and his attorney Scofield knowingly mislead and deceived the Patent Office. Such fraud perpetrated on the Patent Office should not be brushed off and thus condoned by this Court.

IV.

Finding B & W Inc. Guilty of Unclean Hands Is In Error.

Two acts of B & W Inc. are relied upon as constituting unclean hands. First is the notifying of customers of ownership of the Wright patents. At no time did B & W Inc. threaten suit upon the Wright patents. The only notice to customers of plaintiff established in the record is the disclosure to the Gulf Company by B & W Inc. of ownership of the Wright patents. No other notice was sent out. This Court and the Trial Court both refer to the notification of plaintiff's customers. What customers? Where in the record is there any proof of such notification?

The negotiations with the Gulf Company cannot be termed a notice of infringement or a threat of suit as it was expressly stated that the Gulf Company would not be sued on the Wright patents. (Vol. II, p. 594—B & W Inc.'s Op. Br. p. 53.) To hold this constitutes unclean hands is a holding that a patentee may not advise an individual of the fact of ownership of a patent unless he intends to sue him. This Court, the Trial Court and Hall's attorney have failed to cite any authorities in support of this startling proposition. B & W Inc.'s attorneys have been unable to locate any cases discussing such a doctrine. However, the conclusion is contrary to the reasoning in the following cases: *Celite Corporation v. Dicalite Co.* (9 Cir., 1938), 96 F. 2d 242; *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6 Cir., 1931), 52 F. 2d 783.

Thus, it is requested that the Court reconsider this basis for its holding of unclean hands. The record fails to establish the existence of any of the notices this and the Trial Court relied upon. The simple fact is B & W Inc. did not send out the notices and this Court, as well as the Trial Court, have confused the activities of Hall with those of B & W Inc.

The second act of unclean hands relied upon is the Scratchers suits. It is stated that these suits were instituted to serve as a basis for sales propaganda. This is not true, and there is no evidence in the record to support such a statement. Nowhere in the record is there one shred of evidence that the existence of the Scratchers

suits was conveyed to anyone other than the parties thereto. There is no proof of publiciity of any kind concerning this litigation.

The decision of this Court therefore is that the filing of a lawsuit and its dismissal with the consent and agreement of the defendant in and of itself constitutes unclean hands. Obviously, no case authority for such a proposition exists and none is cited.

Consequently, it is believed the Court should carefully reconsider the two drastic extensions of the doctrine of unclean hands its decision announces.

Conclusion.

B & W Inc. respectfully submits that the Findings of Fact XXXIII and XXXIV are clearly erroneous. This Court has expressed its view that the same are not clearly supported by the record. Hall has failed to overcome the presumption of validity by the clear proof required by prior decisions of this Circuit and other Circuit Courts. In each instance, the record establishes the presence of patentable invention and the Wright Patents Nos. 2,338,372 and 2,374,317 should be held valid.

The standard of application of Rule 52(a) of the Federal Rules of Civil Procedure applied in *Jules D. Gratiot et al. v. Farr Company* (*supra*) requires, in this instance where the Court disagrees with the findings, that Findings XXXIII and XXXIV be held to be clearly erroneous. The Court should also include in its judgment a determination that the Hall Patent No. 2,672,515 is unenforceable under

the doctrine of the *Precision Instrument Manufacturing Company* case (*supra*) because of the fraud practiced by Hall and his attorney Scofield on the Patent Office in inducing issuance of this patent. It is also submitted that upon reconsideration the Court will find it has confused the activities of Hall with those of B & W Inc. and that no act of B & W Inc. constitutes unclean hands.

The petitioner respectfully requests it be granted a rehearing on these points.

Dated at Los Angeles, California, this 14th day of February, 1957.

Respectfully submitted,

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LEWIS E. LYON,

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B & W Inc.*

Certificate of Counsel.

I, LEWIS E. LYON, of counsel for petitioner in the above-entitled action, hereby certify that the foregoing petition for rehearing of this case is presented in good faith and not for delay, and in my opinion is well-founded in law and in fact and proper to be filed herein.

LEWIS E. LYON,

Attorney for Petitioner.